



# Australian Bureau of Statistics

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### Real net national disposable income - a new national accounts measure

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#### INTRODUCTION

The most well known of national accounts measures is gross domestic product (GDP), which is the total value of goods and services produced in Australia in a given period. For many analyses, the chain volume measure of GDP, which removes the affects of price change, is used.

The chain volume measure of GDP suffers from deficiencies as a measure of the economic well-being of Australians. To overcome many of these deficiencies, the ABS is introducing a new national accounts measure-real net national disposable income (RNNDI). Compared with the chain volume measure of GDP, RNNDI takes account of:

- the impact of changes in prices of our exports relative to changes in prices of our imports (the terms of trade effect);
- the real impact of income flows (both primary and secondary) between Australia and the rest of the world; and
- the consumption of fixed capital, which is the depreciation of machinery, buildings and other produced capital.

Each of these factors has an impact on the real standard of living of Australians.

#### COMPARISON TO GDP

The table below provides estimates of RNNDI, in both seasonally adjusted and trend terms, for the past ten quarters. In the December quarter 2001, seasonally adjusted RNNDI was \$134,560 million, compared with the seasonally adjusted chain volume measure of GDP of \$165,882 million. (Both of these estimates are in 1999-2000 dollars.) Seasonally adjusted RNNDI grew by 0.9%, compared to growth in the seasonally adjusted chain volume measure of GDP of 1.3%.

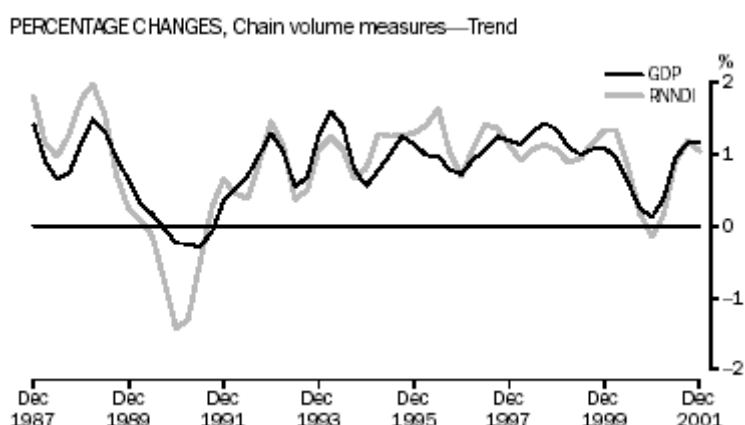
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#### REAL NET NATIONAL DISPOSABLE INCOME

	Trend \$m	%	Seasonally Adjusted \$m	%
1999				
September	125,754	1.2	125,653	1.4
December	127,444	1.3	127,736	1.7
2000				
March	129,146	1.3	129,020	1.0

June	130,221	0.8	130,012	0.8
September	130,457	0.2	131,420	1.1
December	130,259	-0.2	129,585	-1.4
2001				
March	130,462	0.2	130,198	0.5
June	131,635	0.9	131,660	1.1
September	133,196	1.2	133,410	1.3
December	134,601	1.1	134,560	0.9

The graph below provides a long-term comparison of trend quarterly movements in RNNDI and the chain volume measure of GDP. For the most part, the two measures show very similar movements. However, there are noticeable differences in growth rates for some periods. These differences are mainly due to the terms of trade effect. Because income flows between Australia and the rest of the world are relatively small and are fairly smooth over time, changes in them tend to have little impact on short-term movements in RNNDI. Except in periods of slow economic growth, movements in consumption of fixed capital tend to be similar to movements in the chain volume measure of GDP, so for the most part the deduction of consumption of fixed capital has relatively little affect on short term movements in RNNDI compared with the chain volume measure of GDP. Over the long term, consumption of fixed capital grows at a stronger rate than GDP in volume terms hence the deduction of consumption of fixed capital means that RNNDI tends to grow at a weaker rate than GDP.



## METHOD

Real net national disposable income is derived as follows:

- The volume measure of GDP is adjusted for the terms of trade effect to derive **real gross domestic income** (RGDI). RGDI is estimated by:
  - taking the volume measure of gross national expenditure (GNE);
  - adding exports of goods and services at current prices deflated by the implicit price deflator for imports of goods and services;
  - deducting the volume measure of imports of goods and services; and
  - adding the current price statistical discrepancy for GDP(E) deflated by the implicit price deflator for GDP.
- Real primary income (labour income and property income) payable to the rest of the world

is deducted from RGDI, and real primary income receivable is added to RGDI. The real income flows are calculated by dividing the nominal amounts by the implicit price deflator for GNE. This adjustment derives **real gross national income** (RGNI) which is currently published in Table 41 of this publication.

- Real secondary income (taxes and other transfers) payable to the rest of the world is deducted from RGNI, and real secondary income receivable is added to RGNI. The real secondary income flows are calculated by dividing the nominal amounts by the implicit price deflator for GNE. This adjustment derives **real gross national disposable income** (RGNDI).
- The volume measure of consumption of fixed capital is deducted from RGNDI. This final adjustment gives **real net national disposable income** (RNNDI).

All of these adjustments to the volume estimates of GDP are made using the chain volume aggregation method used to derive all of the ABS chain volume estimates.

Further information on the measures of real income for the total economy can be found in Chapter 16 of the 1993 issue of System of National Accounts. In addition, background information to the calculation of RGDI is provided in the Explanatory Notes paragraph 32 and in a Technical Note included in the September quarter 1993 issue of this publication.

## FUTURE RELEASE

Starting in the March quarter 2002 issue of this publication RNNDI estimates will be shown in the 'Analysis and Comments Section'. From the June quarter 2002 issue time series will be provided in the main publication tables. As well, RNNDI per capita will be one of the 'headline' indicators shown in Measuring Australia's Progress (Cat. no. 1370.0), which is planned for release on 4 April 2000. For further information on RNNDI please contact Carl Obst on 02 6252 6713 or by email [carl.obst@abs.gov.au](mailto:carl.obst@abs.gov.au).

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